



**LAWSHARE LIMITED**

**Report and Financial Statements**

**31 March 1997**

**Deloitte & Touche  
Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR**





**REPORT AND FINANCIAL STATEMENTS 1997**

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**REPORT AND FINANCIAL STATEMENTS 1997**

**OFFICERS AND PROFESSIONAL ADVISERS**

**OFFICERS**

B A Greayer (Chairman)  
D A B Lough  
J M Denny  
J N Stapleton  
W R Gemmell  
A T N Warner  
D J Tomlinson

**SECRETARY**

C J Bishop

**REGISTERED OFFICE**

1 Meadow Road  
Tunbridge Wells  
Kent TN1 2YG

**BANKERS**

Midland Bank plc  
Barclays Bank PLC  
Bristol & West

**SOLICITORS**

Cripps Harries Hall  
Seymour House  
11-13 Mount Ephraim Road  
Tunbridge Wells  
Kent TN1 1EN

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR

## **DIRECTORS' REPORT**

The directors take pleasure in submitting their annual report and the financial statements of the company for the year ended 31 March 1997.

### **PRINCIPAL ACTIVITY**

The principal activity of the company is to act as a wholesale provider of securities research, dealing, settlement and custody services to professional intermediaries.

### **REVIEW OF DEVELOPMENTS**

LawShare's fourth full year of trading saw both a further widening of the firm's client base and the successful launch of a CREST sponsorship service.

### **FUTURE PROSPECTS**

It is anticipated that LawShare's client base and services to clients will continue to expand.

### **DIVIDENDS AND TRANSFERS FROM/ TO RESERVES**

Dividends of £89,629 were paid during the year (1996 - £62,000). Retained profits of £40,000 were capitalised through the issue of 40,000 'B' ordinary shares.

### **FIXED ASSETS**

Fixed assets with a cost of £64,191 (1996 - £56,642) were acquired during the year (see note 9). The directors reviewed the estimated useful life of computer hardware during the year and on the grounds of prudence have reduced it from four to three years commencing 1 March 1997.

### **DIRECTORS**

The directors who served during the year, and their interest in the shares of the company were as follows:

		No. of shares at 31 March 1997			No. of shares at 31 March 1996	
		'A'	'B'	Founders	'A'	Founders
B A Greayer	(Chairman)	4,250	1,700	26	4,250	26
D A B Lough	(Managing Director)	16,650	6,660	104	16,650	104
J M Denny		11,100*	4,440*	70*	11,100*	70*
W R Gemmell		27,750*	11,100*	-	27,750*	-
J N Stapleton		27,750*	11,100*	-	27,750*	-
A T N Warner		12,500*	5,000*	-	12,500*	-
D J Tomlinson	(see note 15)	-	-	-	-	-

All directors held their interests in the 'A' and Founders shares of the company from the beginning of the year, and the 'B' shares from the date of issue.

\* These directors are partners or directors in firms which are LawShare Limited's clients. J M Denny is a partner in Cripps Harries Hall, W R Gemmell is a partner in Murray Beith Murray, J N Stapleton is a partner in Thomas Eggar Verrall Bowles and A T N Warner is a director of Douglas Deakin Young Limited. The directors hold the shares on behalf of the firms but do not benefit directly from them.



**DIRECTORS' REPORT**

**TAXATION STATUS**

In the opinion of the directors, the company is a close company for tax purposes.

**AUDITORS**

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be presented at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

C J Bishop  
Secretary

23 June 1997

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

C J Bishop

Secretary

23 June 1997



## Chartered Accountants

Deloitte & Touche  
Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR

Telephone: National 0171 936 3000  
International + 44 171 936 3000  
Telex: 884739 TRLNDN G  
Fax (Gp. 3): 0171 583 1198  
LDE: DX 599

## LAWSHARE LIMITED

### AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 6 to 16 which have been prepared under the accounting policies set out on page 10.

#### Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and  
Registered Auditors

28 June 1997


**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 March 1997**

	Note	1997 £	1996 £
<b>TURNOVER</b>	1,2	793,457	703,884
Other income		<u>113,743</u>	<u>45,016</u>
		907,200	748,900
Administrative expenses		<u>(845,755)</u>	<u>(603,435)</u>
<b>OPERATING PROFIT</b>	6	61,445	145,465
Interest receivable and similar income	3	<u>28,848</u>	<u>28,472</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		90,293	173,937
Tax on profit on ordinary activities	7	<u>(25,604)</u>	<u>(43,484)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		64,689	130,453
Dividends paid	8	<u>(89,629)</u>	<u>(62,000)</u>
<b>RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR TRANSFERRED FROM/ TO RESERVES</b>	9	<u>(24,940)</u>	<u>68,453</u>

All activities derive from continuing operations.

There are no recognised gains or losses for the current financial year or preceding financial year other than as disclosed in the profit and loss account. Accordingly, no statement of total recognised gains and losses is given.




**BALANCE SHEET**
**31 March 1997**

	Note	1997 £	1996 £
<b>FIXED ASSETS</b>			
Tangible fixed assets	10	90,626	63,802
Investments	11	<u>1</u>	<u>1</u>
		90,627	63,803
<b>CURRENT ASSETS</b>			
Debtors	12	14,562,330	4,571,090
Cash at bank and in hand	13	<u>752,953</u>	<u>662,255</u>
		15,315,283	5,233,345
<b>CREDITORS: amounts falling due within one year</b>	14	<u>(15,101,115)</u>	<u>(4,967,413)</u>
<b>NET CURRENT ASSETS</b>		<u>214,168</u>	<u>265,932</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>304,795</u>	<u>329,735</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	140,100	100,100
Share premium account	9	100,006	100,006
Profit and loss account	9	<u>64,689</u>	<u>129,629</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>304,795</u>	<u>329,735</u>

These financial statements were approved by the Board of Directors on 23 June 1997.

Signed on behalf of the Board of Directors

B A Greayer, Chairman

D A B Lough, Director


**CASH FLOW STATEMENT**
**Year ended 31 March 1997**

	Note	1997 £	1996 £
Net cash inflow from operating activities	16	275,474	256,681
<b>Returns on investment and servicing of finance</b>			
Interest received		28,848	28,472
<b>Net cash inflow from returns on investment and servicing of finance</b>		28,848	28,472
<b>Taxation</b>			
UK corporation tax paid (including Advanced corporation tax)		(59,804)	(25,229)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(64,191)	(56,642)
<b>Net cash outflow from capital expenditure and financial investment</b>		(64,191)	(56,642)
<b>Equity dividends paid</b>		(89,629)	(62,000)
<b>Net cash inflow before use of liquid resources and financial investments</b>		90,698	141,282
<b>Management of liquid resources</b>		-	-
<b>Financing</b>		-	-
<b>Net cash outflow from financing</b>		-	-
<b>Increase in cash in the period</b>	17	90,698	141,282



**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

**Year ended 31 March 1997**

	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
Profit for the financial year	64,689	130,453
Dividends	(89,629)	(62,000)
	<u>(24,940)</u>	<u>68,453</u>
Share option premia	<u>-</u>	<u>2</u>
<b>Net (reduction)/addition to shareholders' funds</b>	<b>(24,940)</b>	<b>68,455</b>
Opening shareholders' funds	<u>329,735</u>	<u>261,280</u>
<b>Closing shareholders' funds</b>	<b><u>304,795</u></b>	<b><u>329,735</u></b>



**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 1997**

**1. ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted by the directors are described below.

**Accounting convention**

These accounts are prepared under the historical cost convention.

**Financial accounting period**

The financial statements are drawn up for a 12 month period ended 31 March 1997. The comparative period is for the 12 months ended 31 March 1996.

**Turnover**

Turnover represents the commission income from buying and selling securities on behalf of clients and non-dealing revenues in the form of publications, training activities and administration services.

**Trade date accounting**

Turnover is arrived at under the principles of trade date accounting for Stock Exchange transactions.

**Fixed assets**

For all tangible fixed assets depreciation is calculated to write down their cost to the estimated residual values by equal annual instalments over the period of their estimated useful economic lives, which are considered to be:

Fixtures and equipment	-	four years
Computer equipment	-	four years

**Balances with clients and counterparties**

In accordance with market practice certain balances with clients and market counterparties, Stock Exchange member firms and settlement office are included in debtors and creditors gross for their unsettled bought and sold transactions respectively.

**Operating leases**

Amounts due under operating leases are charged to the profit and loss account in equal annual amounts over the lease term.

**Foreign exchange**

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

**Deferred taxation**

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

**2. TURNOVER**

	1997	1996
	£	£
Commissions	793,457	703,884


**NOTES TO THE ACCOUNTS**
**Year ended 31 March 1997**
**3. INTEREST RECEIVABLE AND SIMILAR INCOME**

	1997	1996
	£	£
Bank deposit interest	28,848	28,472

**4. STAFF NUMBERS AND COSTS**

	1997 No.	1996 No.
The average number of persons employed by the company during the financial year was:		
Dealing	3	2
Administration	9	8
	12	10

**Staff costs incurred during the year in respect of these employees were:**

	£	£
Wages and salaries	288,175	232,919
Social security costs	23,753	21,445
Other pension costs	8,466	7,666
	320,394	262,030

**5. DIRECTORS' EMOLUMENTS**

	1997 £	1996 £
Total directors' emoluments	72,236	23,740

**6. OPERATING PROFIT**

	1997 £	1996 £
Operating profit is stated after charging:		
Depreciation	37,097	30,472
Auditors' remuneration - Audit fee	12,675	7,500
- Other fees	-	2,650
Rentals under other operating leases	34,044	22,767

**7. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	1997 £	1996 £
United Kingdom Corporation Tax at 25% ( 1996 25%)	25,604	43,484


**NOTES TO THE ACCOUNTS**
**Year ended 31 March 1997**
**8. DIVIDENDS PAID**

	1997 £	1996 £
Per ordinary "A" share		
Interim paid 39.102p (1996 - 30p)	39,102	30,000
Second interim paid nil (1996 - 32p)	-	32,000
Per Founders share		
Interim paid £252.635 (1996 - £nil)	50,527	-
	<u>89,629</u>	<u>62,000</u>

**9. STATEMENT OF MOVEMENTS ON RESERVES**

	Share Premium account £	Profit and loss account £
Balance at 1 April 1996	100,006	129,629
Issued share capital	-	(40,000)
Retained profit for the year	-	(24,940)
Balance at 31 March 1997	<u>100,006</u>	<u>64,689</u>

**10. TANGIBLE FIXED ASSETS**

	Computer equipment £	Fixtures and equipment £	Total £
<b>Cost</b>			
At 1 April 1996	89,117	5,157	94,274
Additions	61,475	2,446	64,191
At 31 March 1997	<u>150,592</u>	<u>7,603</u>	<u>158,195</u>
<b>Depreciation</b>			
At 1 April 1996	27,126	3,346	30,472
Charge for year	35,449	1,648	37,097
At 31 March 1997	<u>62,575</u>	<u>4,994</u>	<u>67,569</u>
<b>Net Book Value</b>			
At 31 March 1997	<u>88,017</u>	<u>2,609</u>	<u>90,626</u>
At 31 March 1996	<u>61,991</u>	<u>1,811</u>	<u>63,802</u>


**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 1997**
**11. INVESTMENTS HELD AS FIXED ASSETS**

	Shares in subsidiary undertakings £
At 1 April 1996	1
Additions	-
	<hr/>
At 31 March 1997	1
	<hr/> <hr/>

The above investment is in LawShare Nominees Limited (formerly LawCrest Nominees Limited), an unlisted company registered in England and Wales. Consolidated accounts have not been produced on the grounds of materiality. The company has not traded since incorporation and has net assets equal to the cost of investment.

**12. DEBTORS**

	1997 £	1996 £
<b>Amounts falling due within one year:</b>		
Trade debtors	14,478,766	4,531,843
Other debtors	31,761	10,278
Prepayments	51,803	28,969
	<hr/>	<hr/>
	14,562,330	4,571,090
	<hr/> <hr/>	<hr/> <hr/>

**13. CASH AT BANK AND IN HAND**

Cash at bank includes £553,533 (1996 - £377,052) received in the course of settlement of bargains. This amount is held by the company in trust, on behalf of clients and is only available to complete the settlement of outstanding bargains.

**14. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1997 £	1996 £
Trade creditors	14,921,730	4,815,932
Amounts owed to subsidiary undertaking	1	1
Taxation and social security	11,217	44,156
Accruals	168,167	107,324
	<hr/>	<hr/>
	15,101,115	4,967,413
	<hr/> <hr/>	<hr/> <hr/>

Included under taxation and social security is an amount of £25,604 (1996 - £37,750) in respect of corporation tax.


**NOTES TO THE ACCOUNTS**
**Year ended 31 March 1997**
**15. CALLED UP SHARE CAPITAL**

	1997 £	1996 £
<b>Authorised</b>		
200 Founders shares of 50p each	100	100
250,000 'A' ordinary shares of £1 each	250,000	250,000
200,000 'B' ordinary share of £1 each	200,000	200,000
25,000 'C' ordinary share of £1 each	25,000	25,000
	<u>475,100</u>	<u>475,100</u>
<b>Allotted and fully paid</b>		
100,000 'A' ordinary shares of £1 each	100,000	100,000
40,000 'B' ordinary shares of £1 each	40,000	-
200 Founders shares of 50p each	100	100
	<u>140,100</u>	<u>100,100</u>

40,000 'B' shares were issued during the year to capitalise the retained profits in accordance with the Articles of Association.

The 'A' shares entitle the holder to a dividend at the rate of 30 pence per annum on the paid up capital on the shares of the company. The 'B' shares entitle the holder to a dividend at the rate of the Midland bank plc base rate per annum on the capital of the company. The Founders' shares entitle the holder to a dividend at the rate of 0.165% of the net profits of the company after tax and the 'A' and 'B' dividends. Any balance of such profits which the directors decide to distribute, shall be applied in paying dividends on the 'A', 'B' and 'C' ordinary shares ranking pari passu.

Under the company share scheme, employees and a director held options at 31 March 1997 for 4,500 ordinary "C" shares (1996-£4,500) as follows:

**Share options**

	1997 £	1996 £
At beginning of year	4,500	4,500
Lapsed during year	-	-
Granted during year	-	-
	<u>4,500</u>	<u>4,500</u>
At end of year	<u>4,500</u>	<u>4,500</u>

The options for ordinary 'C' shares issued in 1994 may be exercised between 23 March 1997 and 23 March 2004 at a price of £2 per ordinary share. The options issued in 1995 may be exercised between 31 March 1998 and 31 March 2005 at a price of £4 per ordinary share.

D. Tomlinson, had been granted 1,000 options for ordinary 'C' shares. These were granted in 1994 at the terms given above.




**NOTES TO THE ACCOUNTS**
**Year ended 31 March 1997**
**16. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	1997	1996
	£	£
Operating profit	61,445	145,645
Depreciation charges	37,097	30,472
(Increase)/decrease in debtors	(9,905,826)	2,736,392
Increase/(Decrease) in creditors	10,082,758	(2,655,828)
<b>Net cash inflow from operating activities</b>	<b>275,474</b>	<b>256,681</b>

**17. RECONCILIATION BETWEEN THE MOVEMENT IN CASH AND THE MOVEMENT IN NET DEBT**

	As at 1 April 1996	Cashflow	As at 31 Mar 1997
	£	£	£
Cash at bank and in hand	662,255	90,698	752,953

**18. CONTINGENT LIABILITIES**

The company has contingent liabilities, which cannot be quantified, in respect of letters of indemnity (principally in respect of lost share certificates) given in the ordinary course of business.

**19. CAPITAL COMMITMENTS**

	1997	1996
	£	£
Authorised but not yet contracted for	21,000	97,500

**20. OPERATING LEASE COMMITMENTS**

At 31 March 1997 the company was committed to making the following payments during the next year in respect of operating leases which expire:

	Land and buildings	Other
	£	£
Within two to five years	40,380	2,268